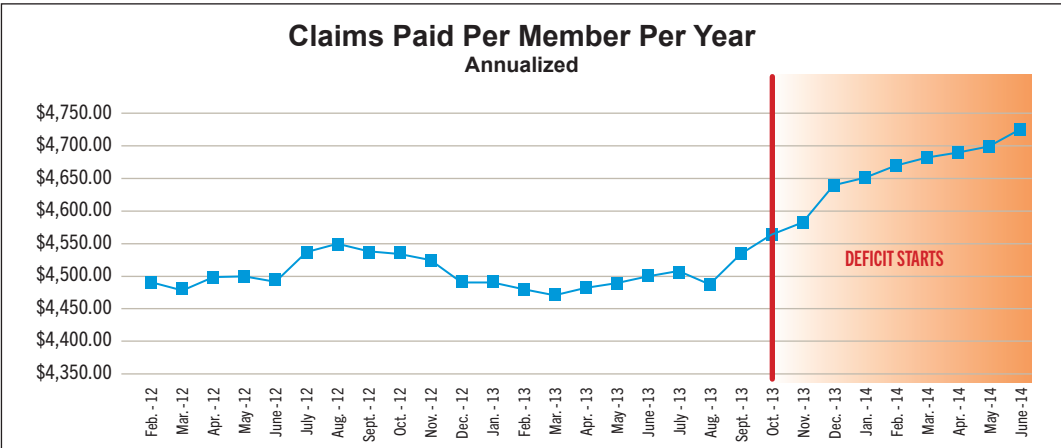


Understanding the 2015 State of Iowa Renewal

SURPLUS TO DEFICIT

- › As of June 2013, State of Iowa had a surplus of \$12.7 M.
- › Claims paid per member per year started to increase in August 2013.
- › When claims costs exceed the State of Iowa's maximum liability payments, the deficit grows.
- › The deficit began in October 2013, four months after 2014 rates were finalized.

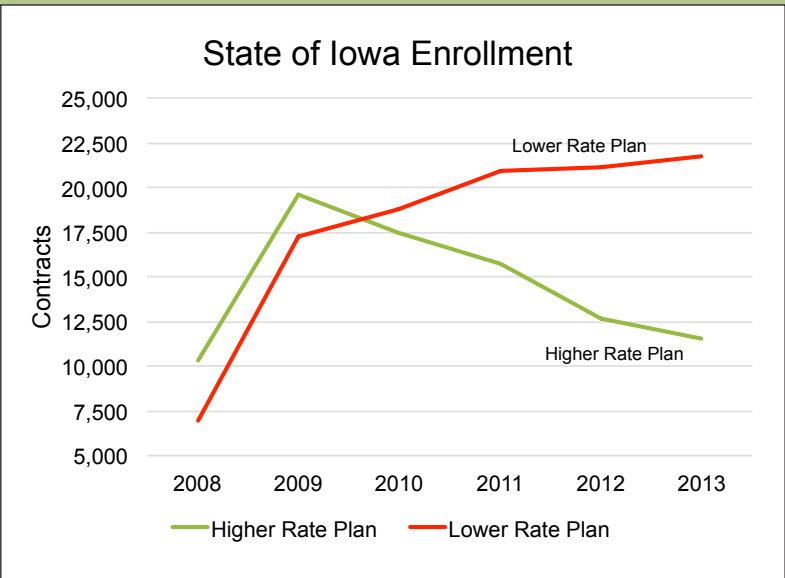


CONTRIBUTORS TO THE CURRENT DEFICIT

1 MIGRATION TO LOWER RATE PLANS



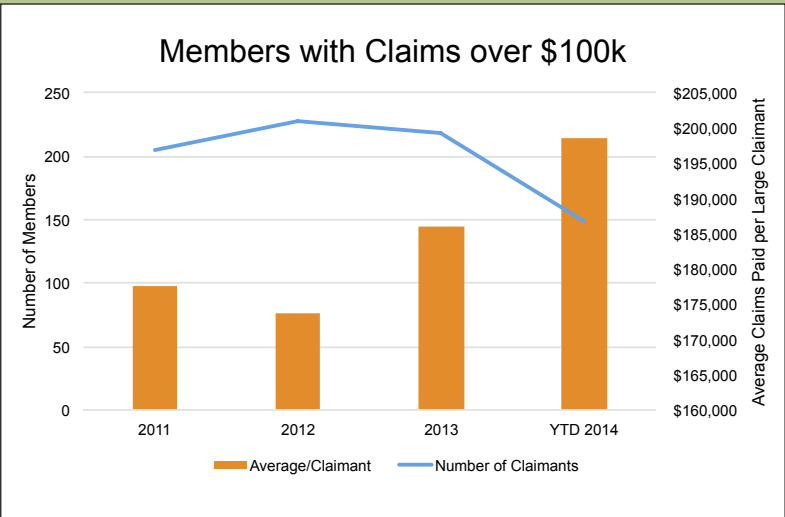
- › State of Iowa employees/retirees moved from the higher rate plan to a lower rate plan but still carried the same illness burden.
- › Most active employees were attracted to the low/no employee contribution in the lower rate plan.
- › Retirees left the higher rate plan and moved to Plan N.
- › The premium contribution differential (38%) does not equal the actual claims cost savings achieved with Blue Access.



2 LARGE CLAIMANTS GREATER THAN \$100,000



- › 2014 YTD, members with claims >\$100,000 accounted for over \$29M in claims paid.
- › In 2014, \$4.1M was attributed to the top large claimant.
- › Of the \$3.6M paid in pharmacy claims for large claimants >\$100,000, \$2.9M was for specialty drugs.

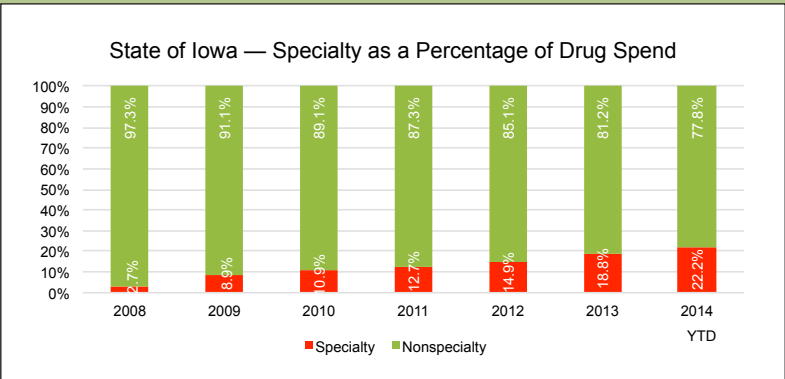


3 HIGHER TRENDING PHARMACY COSTS



- › The State of Iowa had > \$1M paid in 2014 for Sovaldi. Sovaldi is used for Hepatitis C treatment and has a cure rate of 89% - 96%*.
- › Increases in costs per prescription to treat the top five therapeutic classes range from 9% to 29%.
- › Cost per script for Insulin have nearly tripled since 2008, making it the top therapeutic drug class with more than \$5M paid in 2014.

*Sovaldi.com



4 NO BENEFIT DESIGN CHANGE



- › No changes in benefit design causes member liability year-over-year to remain the same, which does not coincide with increasing plan costs.
- › State of Iowa member liability is 5% compared to Wellmark's average large group member liability of 15% in 2013.